No Rivals: The Disciples (Part II)

Peter Thiel is not a manager. But his singular eye for talent allowed him to assemble an unorthodox team that went on one of venture's hottest streaks.

MARIO GABRIELE

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Illustration by Edmon de Haro

Friends,

A prophet without disciples is a madman.

Founders Fund would not have achieved a fraction of its success had Peter Thiel not succeeded in winning others to his cause.

None have been more important than two largely unheralded figures: Napoleon Ta and Lauren Gross. Ta is the investor behind Founders Fund's best-performing growth investments. A former poker player, Ta prefers to keep such a low profile that he has repeatedly asked his team *not* to submit his returns to Forbes' Midas List.

Meanwhile, Gross is Founders Fund's most important operator. As COO and head of IR, Gross scaled the firm's AUM into the billions of dollars, staffed its world-class team, and executed Thiel's vision.

In Part 2 of "No Rivals," our series on Founders Fund, we chronicle Thiel's major disciples and their impact on the firm. In the process, we tell the stories of its investments in Spotify, Airbnb, DeepMind, Stemcentrx, Stripe, and several others.

Part 1 quickly became The Generalist's most popular piece ever. If you missed it, you can catch up by reading it here:

No Rivals: The Founders Fund Story

MARIO GABRIELE • JUN 12

Read full story →

Given the depth and exclusivity of our reporting, the full series is available only to subscribers of our premium newsletter, Generalist+. For **$22 per month or $220 per year**, you'll get unprecedented access to Founders Fund's performance data, detailed case studies of their biggest wins and losses, and insights into how they've shaped Silicon Valley and Washington. If you work in tech, venture capital, or traditional investing, this series alone should more than justify a year's subscription.

Previously on No Rivals...

Peter Thiel, Ken Howery, and Luke Nosek launched Founders Fund in 2005 with a radical promise: to never remove entrepreneurs from their own companies. This was a direct challenge to the traditional activist VC model in general, and to Sequoia's Mike Moritz, in particular.

The firm's early performance was extraordinary. Thiel's $500,000 Facebook investment delivered $1 billion in personal returns and a windfall for Founders Fund. Palantir generated an 18.5x multiple and $3.1 billion in distributions.

Guided by philosopher René Girard's theories on mimetic desire, Thiel deliberately avoided the social media gold rush after Facebook. Instead, Founders Fund pivoted to hard tech, a call that led them to their greatest ever investment: SpaceX. Today, that position is valued at $18.2 billion.

By 2008, Founders Fund had built a promising early reputation, but was still a bit-part player in Silicon Valley. To turn the firm into a force, Thiel needed to scale capital and build a team...

Part II: The Disciples

Thiel Cubs

Ever since PayPal's acquisition, Peter Thiel had established his reputation as a hedge fund manager with an array of intriguing side projects: Frisson, a swanky San Francisco eatery; *American Thunder*, a short-lived magazine devoted to NASCAR racing; and, of course, his venture fund. Founders Fund was undoubtedly the most important of these less important things, but there was no question that Clarium Capital represented the barycenter around which the others orbited.

That began to change in 2008. The year started brightly, with Clarium coming off the back of a barnstorming 2007, up 40%, and sitting on over $7 billion in assets under management. Considering Thiel had founded the firm just six years earlier with $10

million, that rise was a testament to Clarium's strong performance and Thiel's growing reputation as a macro interpreter.

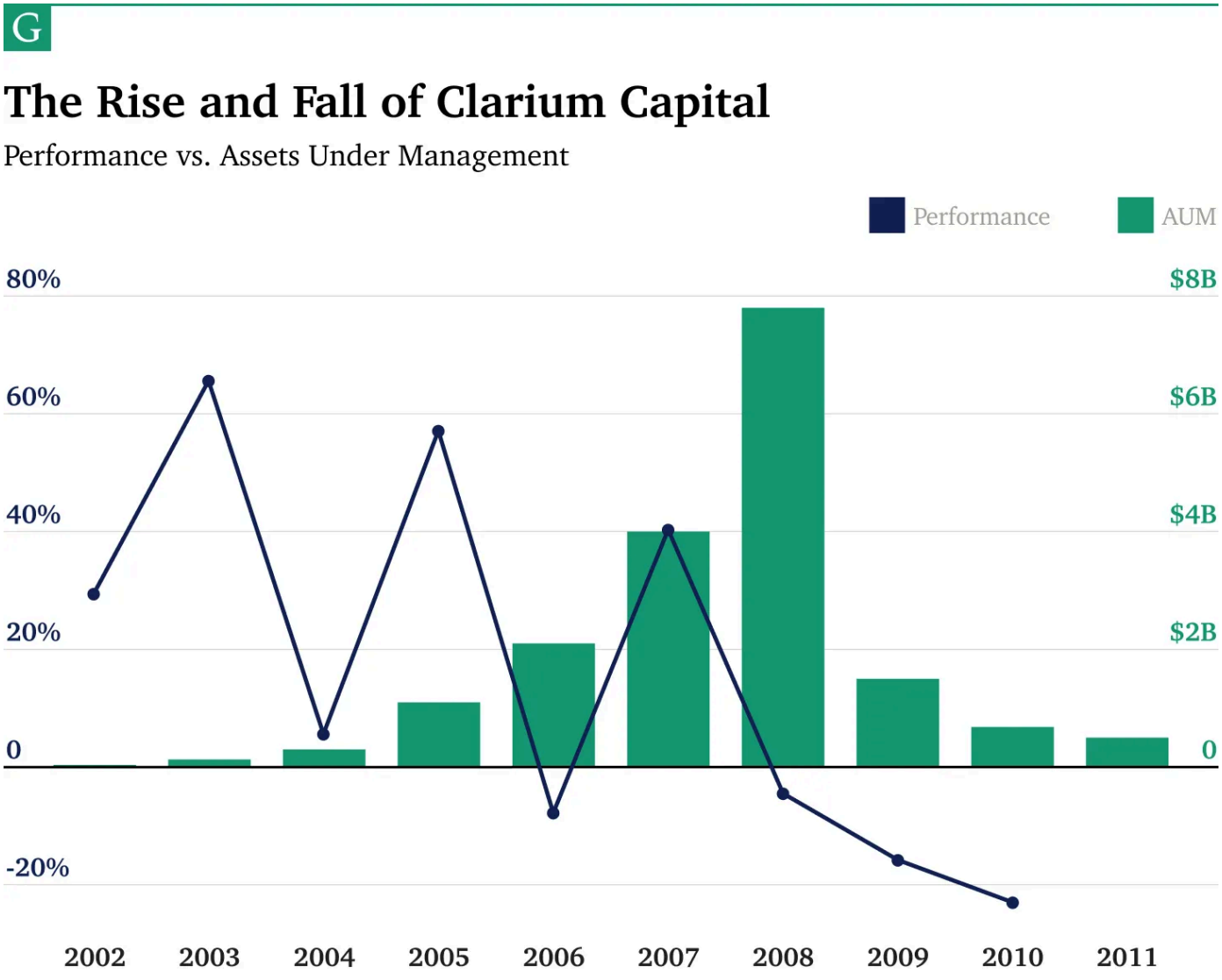
For several years, he had identified three thematic waves he intended to ride:

1. Rising 30-year U.S. Treasuries
2. The dollar outperforming the euro
3. Surging oil prices

During the first half of 2008, the world looked to be tilting even further in Thiel's direction. While his peers in the hedge fund industry endured the "worst year on record," Thiel racked up 59% in gains, driven by soaring oil prices.

They didn't last. U.S. stocks crumbled to near-historic lows, and oil prices fell with them, erasing Clarium's gains to leave it down 4.5% on the year. It never regained its footing, falling 25% in 2009 and a further 23% in 2010.

Investors fled, shrinking assets under management to approximately $500 million by 2011, down over 90% from its high. By then, most of it was Thiel's own capital. The few LPs who stayed experienced a cumulative 65% drop between 2008 and 2011. By the end of that run, Clarium was effectively defunct. It would later get rolled into Thiel Capital, becoming a de facto family office.



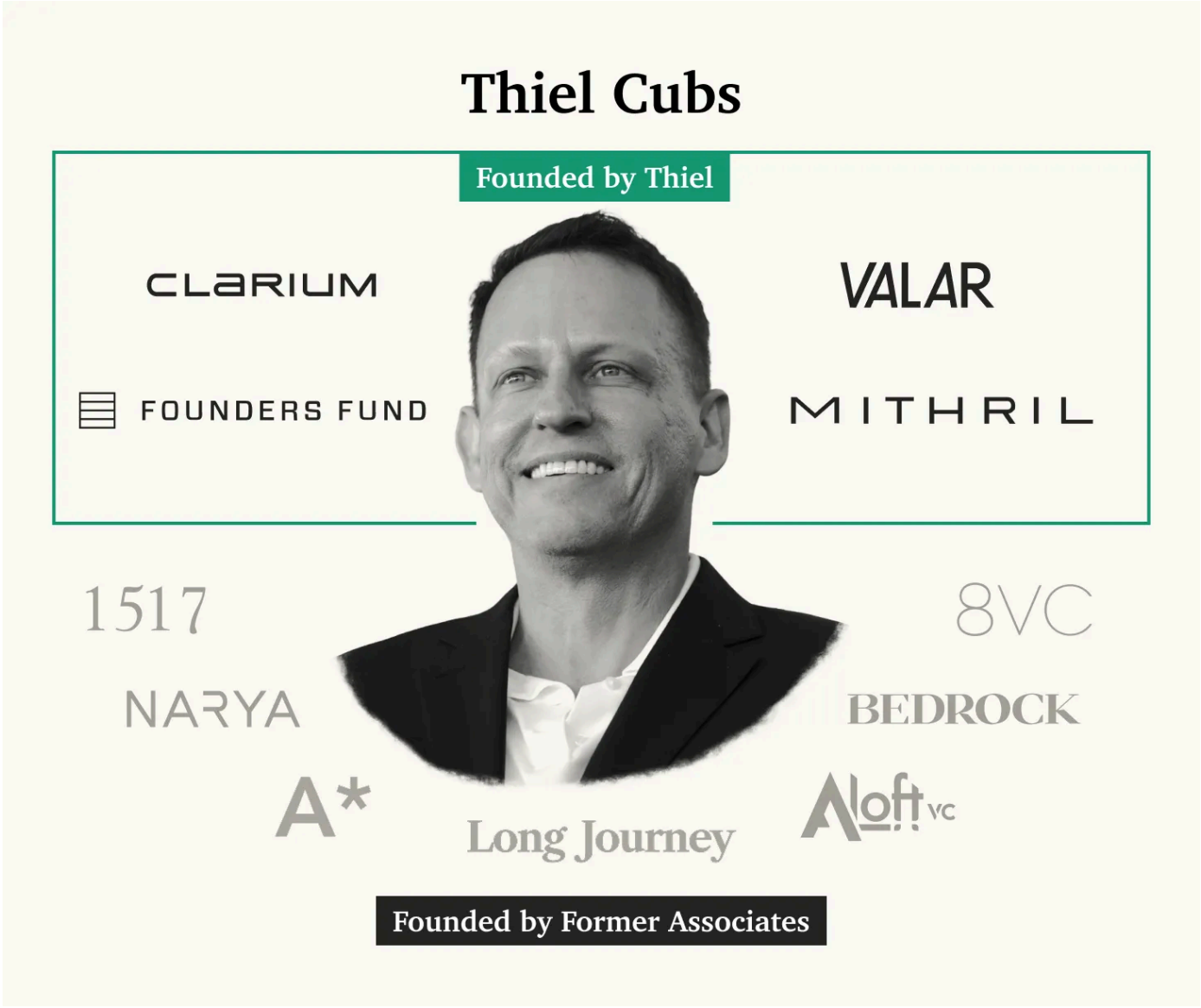
Clarium's demise was made more bitter by the fact that Thiel's macro reading was largely sound. What scuppered it was not that Thiel had misconstrued the world's shifting forces but that he, and the team, had been unable to translate those views into suitable trades. When the market turned in Clarium's favor, it didn't benefit as much as it should have; when the market turned against it, weak risk controls saw it incur mortal losses. In the end, Clarium posted annualized returns of 12% over the entirety of its history, but that didn't help much when its worst years coincided with its fullest coffers.

If there was a silver lining to Clarium's collapse, it came on the talent side. Suddenly, a swath of anomalous Thiel-ites were free to take on new missions, bringing their

leader's eccentric view of the world into new organizations and domains. Many did so with Thiel's backing, or at his direct behest.

Some stayed to manage Clarium's remnants as it morphed into Thiel's family office. Others were pushed to Founders Fund or Palantir, or left to launch funds of their own.

Unlike Julian Robertson's "Tiger Cubs," Thiel often co-founded these organizations — making him more partner than backer to his set of "Thiel Cubs." Of these, Valar and Mithril hold the starring roles.



In 2010, Clarium alums James Fitzgerald and Andrew McCormack founded **Valar Ventures** with Thiel. It began with a simple, complementary premise: while Founders

Fund focused on backing Silicon Valley's elite entrepreneurs, Valar would search for outliers beyond California.

New Zealand was a particular focus in Valar's early days. In 2011, Thiel became a Kiwi citizen, calling New Zealand a utopia and suggesting it could become a promising geography for tech innovation. Perhaps as a reflection of that belief, and to continue currying favor, Valar invested in companies from the country, initially through a series of special-purpose vehicles totaling $100 million.

Its first Kiwi investment was its best: Valar accumulated shares in accounting business Xero at just shy of $1.50 a share in 2010. By 2017, the $4 million invested was worth approximately $54 million.

As Thiel's interest in New Zealand waned, and with opportunities abounding elsewhere, Valar's focus shifted as the years passed. It progressively widened its aperture to include Europe and emerging markets. In 2013, it led a $6 million Series A in TransferWise (now Wise), which hit an $11 billion valuation at the time of its direct listing. Valar would also snag positions in neobanks Nubank and N26.

In recent years, it has evolved once again. Because of Thiel's PayPal credentials, Valar has always shown particular aptitude in fintech. Today it leans on this aspect of its identity, rather than narrowing in on particular geographies. It raised a $300 million vehicle in 2024.

Mithril Capital arrived just two years after Valar. In 2012, Thiel and former Clarium managing director Ajay Royan launched a $402 million growth equity shop. They added another Clarium M.D., Jim O'Neill, to round out the initial team. By then, O'Neill had already done an extensive tour through several Thiel entities, moving from Clarium to the Thiel Foundation before launching the Thiel Fellowship, a program that gave $100,000 to talented college dropouts (more on that later).

Like Valar, Mithril's initial positioning was complementary to Founders Fund. While Founders Fund focused on high-risk early-stage investments, Mithril was designed to back more mature businesses, such as surgical robot Auris and fundraising platform

Classy. Auris looks like Mithril's best investment thanks to a multi-billion-dollar acquisition from Johnson & Johnson.

Despite such results, Mithril's history has not been a happy one. Though Royan announced his desire to build the "capstone" of Thiel's empire, serious allegations about his management began to circle in 2019. That year, former counsel Crystal McKellar alleged that Royan had misled investors, artificially pumping its numbers to reap financial rewards. McKellar also alleged that she had been unjustly fired for reporting these issues. Jim O'Neill repeated similar claims in a lawsuit filed a few years later, alleging wrongful termination and "toxic" management from Royan. Ultimately, the FBI led a probe into Mithril, and prominent LPs like Cambridge Associates reportedly conducted internal investigations of their own.

No public charges have been brought against Mithril or Royan, but the firm nevertheless appears to be managing out its final days. It last raised a fund in 2017 and, as of 2023, was reported to have just $100 million left to deploy.

Despite its ostensible issues, Mithril did succeed in attracting strong talent, including future Anduril co-founder Matt Grimm and future Vice President JD Vance. Like so many before him, Vance had been bewitched by Thiel after attending his speech at Yale Law School:

> *I attended a talk at our law school with Peter Thiel…*
>
> *He spoke first in personal terms: arguing that we were increasingly tracked into cutthroat professional competitions. We would compete for appellate clerkships, and then Supreme Court clerkships. We would compete for jobs at elite law firms, and then for partnerships at those same places. At each juncture, he said, our jobs would offer longer work hours, social alienation from our peers, and work whose prestige would fail to make up for its meaninglessness. He also argued that his own world of Silicon Valley spent too little time on the technological breakthroughs that made life better — those in biology, energy, and transportation — and too much on things like software and mobile phones. Everyone could now tweet at each other, or post photos on Facebook, but it took longer to travel to Europe,*

> *we had no cure for cognitive decline and dementia, and our energy use increasingly dirtied the planet. He saw these two trends — elite professionals trapped in hyper-competitive jobs, and the technological stagnation of society — as connected. If technological innovation were actually driving real prosperity, our elites wouldn't feel increasingly competitive with one another over a dwindling number of prestigious outcomes.*

The *Hillbilly Elegy* author would describe the encounter as the "most significant moment" of his time in New Haven. After leaving Mithril, Vance would join Steve Case's Revolution, before founding a firm of his own, Narya.

Looking at the full span of Thiel's financial diaspora, it's hard not to ask oneself what the point of it all is. Why bother to co-found multiple investment firms rather than unite several strategies under a single roof? Why shift employees from one organization to another?

Two reasons stand out.

First, more than almost anyone else, Thiel understands the importance of conserving talent. Once he decides someone meets his high bar, once he decides you are special, he is uncommonly proactive in ensuring that person remains in his orbit. Like a sports agent, he seems to understand what each "client" needs to further their career and deliver fulfillment, and then searches for it within his direct network. If an investor wants to experience operational life, they should join Palantir or Anduril; if an operator wants to learn how investors think, they can take a stint at Clarium or Mithril or Founders Fund; if someone is ready to start a firm of their own, why not do it with his backing?

The Book of Thiel

COMMANDMENT IV

The Law of Talent Conservation

Once you find exceptional talent,
do not let them leave.
Create pathways across your organizations
to maintain their interest.
Give the best your biggest challenges.

By doing so, Thiel effectively captures part of the upside of a talented person's entire career (or at least much more of it), reaping the benefits as they evolve from superstar operator to deft investor to founder to fund manager. Not everyone gets this support, nor do those chosen keep it if they fail to perform, but Thiel is unusually creative in hanging on to talent.

Another motivating factor may be Thiel's sheer curiosity. He is incapable of doing one thing at a time, of staging his ambition. Always, he has at least two serious ventures running: at Thiel International, he moonlit as a founder; at PayPal, he moonlit as an investor; after PayPal, he founded a business, ran a hedge fund, and spun up a venture firm, all at the same time. By running multiple experiments simultaneously, Thiel forces each organization to jockey for his attention and capital, to prove one is more important than the other. It is, in a sense, a kind of hedging: *Macro investing might seem like the best use of my time and talents today, but perhaps seed-stage venture will be tomorrow.* By keeping talent in the system, Thiel gives himself the ability to run these experiments more effectively.

By the early 2010s, Founders Fund was about to become Thiel's primary focus, powered by a Clarium refugee.

You'll start on Monday

At the 2005 annual summit for Wesco Financial, the late Charlie Munger shared his views on investment banking and money management.

"It's my guess that something like 5% of GDP goes to money management and its attendant friction," Munger said. "Worst of all, the people doing this are among the best and the brightest. Hundreds and thousands of engineers, etc. are going into hedge funds and investment banking. That is not an intelligent allocation of the brainpower of the civilization."

Had Lauren Gross been in the audience, she would have agreed. That same year, the Stanford economics graduate had taken an analyst position in Citi's investment banking practice and found it stultifying. "I defaulted into it based on a general enjoyment of math but I wasn't particularly blown away by it," Gross recalled.

Still, Gross struggled to imagine what she would do instead. As far as she understood at the time, the only viable options for someone like her were to choose between banking, consulting, and perhaps a job at Google. The last of those options held little intrigue for Gross, despite her time in Palo Alto. "Unlike all of my partners that were building rockets out of their garages growing up, I was never particularly passionate about technology. I'm still not," she said. Instead, Gross was motivated by people. "I've always been attracted to people that are uniquely bright. My favorite subject was always the teacher."

Halfway through the two-year analyst program, Gross met the kind of uniquely brilliant person she'd hoped to find at Citi.

The introduction came via her friend and old college roommate, Dan Fink. "He was doing a hodgepodge of different projects for Peter," Gross recalled. "He was connected to him because Peter stayed very connected to Stanford." As part of Thiel's orbit, Fink

was invited to a cocktail party hosted on his rooftop overlooking San Francisco's Palace of Fine Arts.

Gross knew a little about Thiel through Fink, but not much. "I knew he was a somewhat rich, somewhat important person, but I had no appreciation for his story," she said. That was for the best. No sooner had she been introduced and asked a few preliminary questions than Gross launched into a tirade about investment banking. "I went on this long rant of how silly and mundane it was. It was drawing reasonably strong talent, but it was all about competing with the herd; modeling companies without understanding why." Had Gross known the impressive particulars of Thiel's resume, she might have had the urge to soften her frustration. "I'm not sure I would have had the boldness."

Without knowing it, her tirade was tailor-made for Thiel. There was little that aggravated him more than talent sacrificed on the altar of careerism. "Why don't you come in for an interview?" Thiel suggested.

A week later, Gross showed up at 1 Letterman Drive, Clarium's office. Thiel got right to the point, offering her a job in investor relations (IR). "I remember saying, 'Why do you think I would be good at that? 'Why would I be good at IR and fundraising when I've literally never done and never expressed any interest in it?'" Gross said.

Thiel didn't need a schmoozer, he explained. He needed someone sharp, sophisticated, and economically educated enough to tell Clarium's macro story, in detail, so that he didn't have to. He would later put the significance of the role in even starker terms: "He said to me, 'Your bar for success is if I never have to take a fundraising meeting.' The autonomy and depth with which he saw the role was different than I'd anticipated."

Though Gross had majored in economics and seen the inside of Citigroup, she knew very little about Clarium's world. That didn't seem to faze the man sitting across from her. As he'd demonstrated at PayPal, Thiel hired for talent, not experience. "I learned really quickly that Peter just takes bets on young people, well ahead of their talent being proven," Gross said. "I mean, when I started I wouldn't have been able to define what a hedge fund was. Genuinely. But he just throws people into the deep end and lets them sink or swim."

Despite Thiel's assurances, Gross wasn't ready to commit on the spot. "The amusing part of the story is my naivete. I said, 'Great, well, I'd love to work for you, but I'm in this two-year investment banking program. I'm someone who's firm in my commitments, so I have a year left.'

Thiel responded flatly, "If you like the job, you'll start on Monday."

Gross did. It was the beginning of a critical partnership between the pair, spanning two organizations and nearly 20 years. Though many other members of Thiel's circle attract greater attention, few have been as essential to his continued success as the person who would become Founders Fund's Chief Operating Officer.

But Clarium came first — a four-year whirlwind exposing Gross to the madness of the markets. Clarium's seesawing fortunes fomented a pressurized environment and forced rapid learning. "I'm so deeply grateful that I was there through a financial crisis," Gross said. "That's an odd thing to say and perhaps not what Peter would want me to say, but it was a crash course in the job. You get asked infinitely more questions when things go wrong. You're really pushed on the details: *Why that trade? Why that*

size? Why that timing? Even if people don't like the answers, you have to be able to nail them. I got substantially better at that during the back half of 2008."

As Clarium teetered, Thiel surveyed the capital landscape with his quintessential sangfroid. If hedge funds were no longer the optimal way to capitalize on his skill set, what should he turn his attentions to instead? In 2010, he shared his view of the coming decade with Gross. "At so many points in my career, Peter has called these macro moments for me," Gross recounted. "He approached me and said, 'The next decade is going to be about venture capital. Companies are going to be staying private longer, and more of that value is going to be captured on the private side.' It wasn't him necessarily saying, 'Hedge funds are over,' but it sort of was."

Thiel told Gross about the venture fund he'd been running on the side. Founders Fund was off to a good start, he explained, but it had minimal brand presence and needed to be bigger to capture the opportunity he expected to materialize. How much bigger? Within the next few years, Thiel wanted to raise a billion-dollar fund, he told her. "It was outlandish," Gross said, "No one had a billion-dollar fund at the time." There had been growth equity vintages that exceeded that benchmark, of course, but mega-vehicles had yet to come to traditional venture. Thiel wanted Gross to become Founders Fund's lead fundraiser.

"I wanted to keep working for Peter, and I trusted his macro calls implicitly," Gross recalled. "He placed someone I worked side by side with [at Clarium] at Palantir; I honestly would have gone there if he'd told me to."

Gross accepted the offer, though she did so once more with characteristic circumspection, explaining that she'd love to meet the Founders Fund team and make a gradual transition. Once more, Thiel cut to the chase: "I'd like you to start on Monday."

Her first task? To raise a fund at least twice the size of the $250 million Fund III that was just about to close. In accepting that assignment, Gross took the reins from another Clarium transplant: Bruce Gibney.

Gibney's cameo is an interesting one in the Founders Fund story. Though he spent just four years at the firm — much less than the tale's main characters — he left a lasting impression by penning the firm's famous manifesto. A lamentation of modern venture capital and exhortation to invest in critical technologies, "What happened to the future?" grew to become a core text for Founders Fund, serving to further differentiate itself from incumbents. Thiel effectively condensed Gibney's essay into a nifty slogan two years later: "We wanted flying cars, instead we got 140 characters."

The Book of Thiel
COMMANDMENT V
The World Does Not Need More Apps
A generation of minds have been wasted on ad-optimization technologies. True progress will come from building rockets, defense systems, and industrial capabilities, not apps.

Though Gibney had succeeded in raising Founders Fund III, he had yet to bring the firm's investor relations up to an institutional standard. "We were really starting from scratch building our investor outreach," Gross said. "We had a spreadsheet of investors that had participated in Fund II and III, and I got some of those to re-up. But in terms of lead gen of prospective investors, it was quite light."

It didn't help that she had virtually no contacts in the venture world. "I was literally doing things like asking our outside counsel, Cooley, 'Who actually invests in venture

capital?' The set of LPs I knew from the hedge fund world were largely irrelevant. I was googling 'top 20 endowments' because I'd heard endowments invested in venture and then looking at numbers 10 through 20, assuming that the top 10 were all really hit up."

Bit by bit, Gross expanded Founders Fund's LP base. "It was a lonely, brutal time to fundraise," she said. "I remember one week, I had to pull three all-nighters to get to meetings in three different cities. I say that less to show, 'Oh, I was working so hard' and more to emphasize that people didn't want to invest in venture capital." It wasn't just that Gross had to convince LPs to invest in Founders Fund, but to deploy capital to the asset class to begin with. "Both parts were hard," she said.

Venture capital was not the asset class it is today, and in the wake of the global financial crisis, few were racing to risk assets. Thiel's reputation was also at something of a local low point. He'd built an image as a bracing iconoclast, someone willing to rub people the wrong way on the path to eventual vindication, but Clarium's demise had destabilized that narrative. Was Thiel really as smart as he believed himself to be? Was it worth enduring his endless provocations if they were not salved by stellar returns?

For many of venture's blue-chip institutions, the answer was no. Though LPs like Yale, Princeton, and the Ford Foundation backed the inaugural vehicles of Andreessen Horowitz and Thrive Capital at the same time, they steered clear of Thiel's shop.

Peter Lacaillade met Founders Fund's team as part of the FF IV raise. Today, Lacaillade is the Chief Investment Officer of SCS Financial, a multi-family office with $30 billion under management; at the time, he was a young portfolio manager, tasked with building out the firm's private investing practice. "There was a little bit of controversy around Peter and Sean," Lacaillade recalled. "But we were confident making a significant allocation from the get-go. That was different from most LPs."

Boxed out by the Northeast's patrician allocators, Gross turned elsewhere. "They had a really successful Southern swing," Peter Lacaillade said. "They got some very smart, sophisticated investors — people from the North Carolina, Virginia area. I can

remember the specific LPs because there weren't that many of us." TrueBridge, the University of North Carolina, and Morgan Creek joined SCS Financial in backing the new vintage.

Gross's roadshow lasted a full 11 months, but she succeeded. In 2011, Founders Fund closed a $625 million fourth vehicle, nearly 3x the size of the previous vintage. Three years later, she would reach Thiel's billion-dollar benchmark, raising $1.1 billion for FF V.

It was just the beginning.

New blood

Just as in sports, venture firms sometimes need a "rebuilding year." Rosters grow stagnant. Complacency seeps into the foundation. Old stars lose their magic, and young talents fritter away their promise. However, because venture firms operate on such a different timescale, these slumps tend to last a decade or more rather than a season or two. Sometimes they are fatal; a sufficiently long slump can kill a once-esteemed institution.

One of Founders Fund's greatest strengths over the years has been its ability to avoid these rebuilding periods by proactively refreshing its roster. Throughout its history, Thiel has been willing to move on brand-name investors, push out underperformers and weak cultural fits, and add talent to serve the firm's current needs. (Naturally, some investors have also left of their own accord.)

Thiel's rare talent-spotting abilities are essential here, but Gross's contribution cannot be underestimated. Founders Fund's COO fulfills a kind of GM role, looking at the squad holistically, spotting holes, and upgrading weaknesses. Over the years, that's helped Founders Fund mature from a spiky seed-stage investor into a top multi-stage firm with deep technical expertise across sectors. It is now just as respected for its growth investments as its early-stage ones.

The first refresh started in 2008, ramping up after Gross's appointment in 2010 and culminating in 2012. By the end of that year, Founders Fund's investing team included Brian Singerman, Scott Nolan, Napoleon Ta, and Geoff Lewis. All four arrived as junior investors; all four rose through the ranks to become partners. With the exception of Lewis, who left in 2017 to found venture firm Bedrock, all remained affiliated with the firm until this year. Just a few days ago, it was reported that Singerman would be leaving his "partner emeritus" role to launch a new fund-of-funds, GPx.

Brian Singerman arrived first, joining in 2008. From an early age, technology had fascinated the Angeleno. Games in particular held a special allure. As a kid, he programmed games to play on his Commodore VIC-20, and in high school his 3D boxing simulator for the TI-83 calculator spread across the school. That technical proclivity took him to Stanford in 1995, where he studied computer science, and then on to Google. He arrived at the search giant just a few months before its 2004 IPO.

Outside of technology and gaming, Singerman's other passion was money. To put it simply, he wanted it. "I've always wanted to try to make a lot of money. That aspect of things has always interested me," he said. Singerman liked to think of success as a mathematical equation. "I try to live my life by what I call my 'freedom quotient': the numerator is money and the denominator is fame," he said. "I'm trying to maximize money and minimize fame."

To try to up his freedom quotient, Singerman used his seat at Google to start investing, networking with other prominent angels. "The scene was nothing then," he recalled. "It was Ron [Conway] and [Mike] Maples and Steve Anderson and [Josh] Kopelman and a few others. But it was tiny." To accelerate his learning, Singerman started working for Ron Conway on the side, helping him diligence companies. He also began to attend a new startup incubator that had recently traded Boston for San Francisco: Y Combinator.

Photo of Brian Singerman by Frankruddy, CC BY-SA 3.0

Over the next four years at Google, Singerman invested on the side — with his personal capital and via a small fund he raised from Google alums to back YC startups. Its name, XGYC, was descriptive if not memorable, standing for "ex-Google, Y Combinator."

In doing so, Singerman discovered how much he enjoyed spending time with entrepreneurs. "I really liked working with founders. They were always super-creative and generally smart." As far as he could tell so early into his investing career, he also had a bit of a knack for it. His very first investment was in Heroku, a 2007 startup that helped developers deploy their applications. It would go on to sell to Salesforce three years later for $212 million.

Buoyed by these early proof points, Singerman plotted his next steps. "I was going to raise a larger version of XGYC, and then Sean said, 'Why don't you come check out what we're doing at Founders Fund?'" Sean was, of course, Sean Parker, who Singerman had gotten to know through his angel investments. The pair had developed a friendship, with Singerman especially impressed by Parker's intelligence. "Sean's maybe the most brilliant person I've ever met, to this day."

As part of his interview process, Singerman met with the rest of Founders Fund's partnership, and left similarly impressed. "What attracted me was the people," he said,

“If you meet Peter, you realize that he’s one of the most unique individuals in history. It was a good cast of characters.”

The kinds of companies Founders Fund was looking at fortified Singerman’s assessment. “I sat in on some meetings, and they were looking at this ridiculous company called SpaceX.” He recalled the thrust of those conversations, more than 15 years later. “They were saying, ‘Well, no rocket has worked. Is it going to work?’ ‘On the other hand, Elon is really, really good, ridiculously good.’”

Singerman was sold; he joined in 2008 as Founders Fund’s first associate.

Next came Scott Nolan, who had an even deeper connection to SpaceX. Raised in the suburbs of Philadelphia, Nolan developed an early passion for building model rockets. It was an interest that seemed to arise from nowhere — Nolan’s father was a classical musician and his mother a chemical engineer, primarily worried that his use of their car’s battery to power one experiment might blow it up. Nolan’s friends were similarly nonplussed. “On New Year’s Day 2000, my senior year, I launched a six-foot-tall rocket. We’d survived Y2K, so I thought that was a good occasion. A bunch of friends showed up and they thought it was cool, but it was a total non-sequitur. It was like, ‘Why are we doing this? Why is this guy into this stuff?’”

At Cornell, Nolan found kindred spirits. He joined the school’s fledgling rocket club his first year and spent much of his time in Ithaca working on a hopping “Mars-lander-type thing.” There were few employers looking for rocket fanatics in the early 2000s; Nolan dreamed of returning to Edwards Air Force Base in the Mojave Desert, where he’d interned for Boeing one summer. “I was working on this airborne laser project, which was to shoot down ballistic missiles,” he said. “That project wasn’t *that* secret, because people knew it existed. But we also knew there were other projects that no one had admitted even existed. That was my hope at the time: to go into this top-secret underground world and go down the rabbit hole.”

Though that had undeniable allure, it wasn't without its drawbacks. "You have to live out in the desert and spend 30 years working on one aircraft, but maybe you get to work on some cool stuff. Unless you wanted to work on an airliner, which isn't so exciting, those were the trade-offs if you wanted to do aerospace."

A serendipitous phone call re-routed Nolan's path. In 2003, a Cornell alum called a professor from his alma mater. Did the professor know any students obsessed with rockets? The startup he was working at was looking for interns. As the head of Cornell's rocket club, Nolan's name naturally came up.

And so that year, Nolan made the trip to Texas to begin working for a fledgling rocket business run by an eccentric ex-payments executive: SpaceX. The company had just 35 employees and was years away from a successful launch at the time he joined. He would stay nearly four and a half years, working on the Dragon and Falcon designs.

A surprising two-plus-year stint at Bain followed. What brought an aerospace engineer used to gritting it out in Texas and El Segundo, California, to the pomp and posturing of management consulting? "It's called bad decision-making," Nolan said with a chuckle.

More pragmatically, Nolan was interested in building his business acumen, with the aim of starting a company of his own someday. "I'd been at SpaceX for four years, and at that time on the engine program, it felt mostly iterative," he said. "I had seen Elon

have an engineering background and then some business exposure. I knew I didn't want to go to business school, but I thought that maybe if I went to consulting for a year or two, I'd learn a ton that I wouldn't have seen as an engineer at SpaceX."

It didn't take long for Nolan's error to become apparent. "When I got there, people would come up to me and say, 'Wow, you worked at SpaceX! Why did you come to Bain?' I was like, 'Wow, this is really going south quickly.'"

Though Nolan had gone to Bain to avoid the time and expense of business school, he found himself attending Stanford three years later. A brief attempt to start a dating app built on Facebook's new social graph failed to launch, leaving Nolan to head to Palo Alto as he figured out his next move.

By October, he was already thinking about dropping out. A friend at business school had introduced him to Keith Rabois, then-COO at Square. "Keith said, 'Hey, you got into Stanford; that's already 99% of the achievement. Drop out and come work at Square.'" Nolan considered it carefully but decided to stay put, planning on taking a summer internship at Square before he committed to joining full-time.

Modern Meditations: Keith Rabois

MARIO GABRIELE • APR 24

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Nolan never made the jump, thanks to a class he audited his spring semester. "I skipped classes at the business school to go to this class called 'Sovereignty, Technology, and Globalization' at the law school. I would go to the business school in a suit every day because teachers would think you were interviewing for a job and they didn't want to stop that. So I'd walk out halfway through my classes and go to the law school, because I knew this was going to be the most interesting class on campus."

No prizes for guessing the teacher of that class. It was, of course, Peter Thiel, nerd-sniping Stanford's brightest and most curious learners with his eclectic blend of history, philosophy, and commerce. Like so many others before him, Nolan found himself fascinated by Thiel's capacious intellect.

When the teacher offered half-hour "career counseling" spots at the end of the semester, Nolan jumped at the chance.

He told Thiel he planned to join Square that summer and then would likely drop out. "'Eh, maybe that's good,'" Nolan recalled Thiel saying. "'But maybe we can find other startups you could talk to.'" Nolan looked around a little more, attending a few startup events, but didn't find anything that captured his attention. He followed up with Thiel, who offered an alternative: "'Maybe just join our startup in the VC space.'"

Even longtime followers of venture capital may not have heard the name Napoleon Ta. And yet he is arguably Founders Fund's most influential investor after Thiel himself, tasked with running the firm's growth practice. "He's one of the best investors in venture growth, period," Peter Lacaillade of SCS Financial remarked. Colleagues and portfolio founders were often similarly effusive.

Ta's relative anonymity is very much by design. Ta declined to be interviewed for this piece, but Lauren Gross — who has known him for nearly two decades — shared some details on an enigmatic figure who prefers to avoid the limelight. "I think this is the first time I've even been permitted to speak on his behalf," she said. "He keeps his cards very close. He's the most modest, humble person on the team, which is why you barely hear his name."

Ta was named on *Forbes*'s "Midas Brink" list in 2018, but he has apparently explicitly asked not to be considered in recent years, refusing to let Founders Fund share his track record. That's in spite of the fact that he is "majorly, majorly, majorly responsible for the firm's gains and returns, alongside Peter," per Gross.

Gross met Ta in 2005. Both had taken investment analyst positions in Citigroup's tech practice, based in Palo Alto. Though soft-spoken, Ta made an impression on his colleague. "It took me all of one summer to gather that Napoleon was easily the most impressive by an order of magnitude," Gross said. "Not just the most impressive of our analyst class but the entire tech office."

What struck Gross wasn't just Ta's "genius-level" facility for numbers but his energy and passion. "I was desperately trying to get out of investment banking, while he would happily crank out masterful models all night long."

They were not yet close friends, but by this point, they nevertheless bonded by "pulling all-nighters together" and going through the "silly hurdles of investment banking." That meant that Gross sometimes got a rare glimmer into Ta's life outside of Citigroup.

For example, during a rare lull at work, Ta told Gross that he was going to play poker in Vegas that weekend. The following Monday, Gross asked him how it had gone, making small talk. She'd done so within earshot of other colleagues, not knowing it wasn't the sort of thing Ta liked discussing openly. Suddenly Ta was confronted by a wall of finance machismo. "There's a lot of that crude energy of 'Well, how much did you make, dude?'" Gross recalled. Ta didn't want to boast and refused to talk about it. After he was pushed again and again, he finally relented. "'OK, I made more last night than we'll make this year,'" Gross recalled him saying.

That weekend was no fluke. Ta reportedly started playing poker at the age of four, and put himself through college with his winnings. At a World Series of Poker event in 2008, he finished 11th in a 1,395-person field.

Gross left Citi in 2006 to take a role at Thiel's Clarium Capital, while Ta stayed. Despite that short stint, when Gross thought about building out the team at Founders Fund, Ta came to mind. "In the summer of 2012, I began to feel like we were pretty light on quantitative skill at the fund," Gross said. "Brian [Singerman] is notorious for saying, 'I've never opened a spreadsheet, because I don't need to. This is a gut bet business.' Honestly, it had been a lot of gut bets for us. We'd made the gut bet on Facebook, mostly based on Zuckerberg. We made the gut bet on SpaceX, largely based on Musk. We were an early-stage fund focused on early-stage bets. But we were beginning to scale."

Thiel's mandate to raise a billion-dollar fund in the near term changed the calculus. If Founders Fund was going to capture the value of companies staying private longer, it couldn't simply write early-stage bets and call it a day. "We needed to follow on and follow on in size," Gross said. Investments of that magnitude couldn't be based on gut instincts alone.

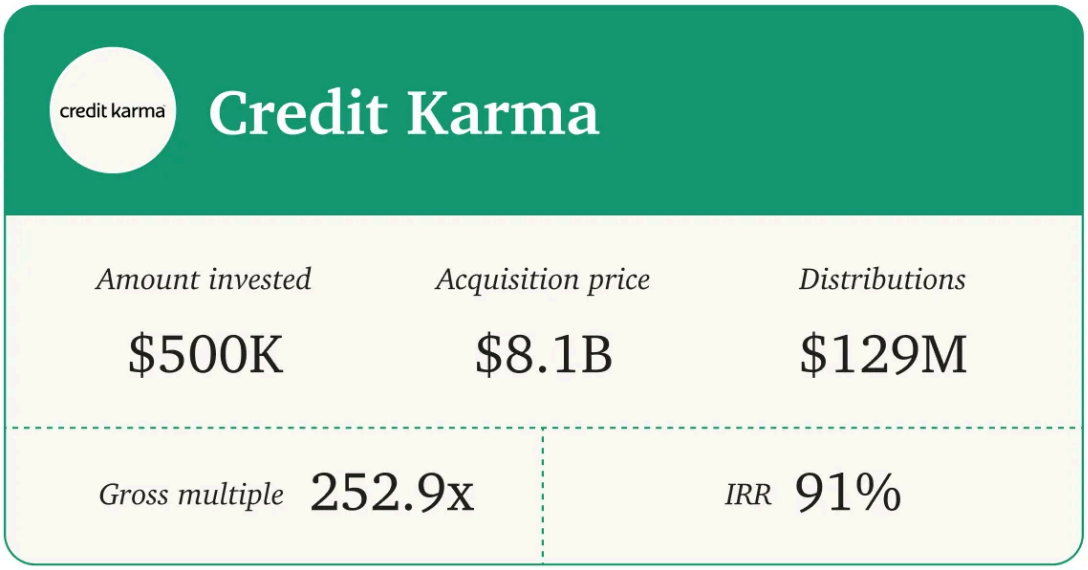
Luckily enough, Ta had remained in the Valley, heading to Stanford business school a year after Scott Nolan. Gross was relatively new at Founders Fund and hadn't yet earned the credibility to push through a full-time hire. Instead, she ferociously advocated for the firm to recruit Ta as an intern, giving him a chance to demonstrate his abilities. "That's all I was able to get at the time," she recalled. "I said, 'I think this guy's a no-brainer. I would hire him full-time in a heartbeat, but I get it, no one knows me. Give him a summer.'"

It didn't take long. That summer, Napoleon Ta set to work analyzing a potential blockbuster growth investment in Airbnb.

Running hot

Between 2008 and 2016, Founders Fund went on one of the hottest streaks in venture capital history. Over that eight-year span, the firm backed a mind-boggling list of winners, powered by its established partners and the cadre of young investors it progressively added to the fold.

Several impressive early bets came through a partnership between Founders Fund and future 500 Startups head Dave McClure. In 2008, Thiel tasked McClure with running the "FF Angel" fund, later renamed "Pathfinder." It was through that vehicle that Founders Fund first gained exposure to financial platform Credit Karma. When Credit Karma sold to Intuit for $8.1 billion in 2020, Founders Fund's $500,000 investment had appreciated to $129 million, a 252.9x. On a multiple basis, that made it one of Founders Fund's best-performing investments. Pathfinder backed SendGrid the following year; the email marketing service went public in 2017 at a $652 million valuation before selling to Twilio.



A ludicrous trio of investments arrived between 2009 and 2011 thanks to the particular geniuses of Thiel and Parker. In 2010, Y Combinator's Paul Graham put Thiel in touch with a pair of Irish brothers taking a swing at building internet-native payment infrastructure — a reimagining of what he'd done at PayPal. "He was very capable of understanding the Stripe idea, given his personal experience," co-founder John Collison remarked. "Maybe that was part of what helped him get around it, where lots of people might have written it off sooner."

Thiel may have understood the Collisons' pitch, but that wasn't to say that he agreed with all of it. "Mostly I remember him thinking that a lot of the things we were doing

that I thought were a bad idea, he thought they were a good idea and vice versa, and that being pretty interesting," Patrick Collison told an audience at the Startup Grind Conference in 2012.

Stripe: Thinking Like a Civilization

MARIO GABRIELE • OCTOBER 3, 2022

Read full story →

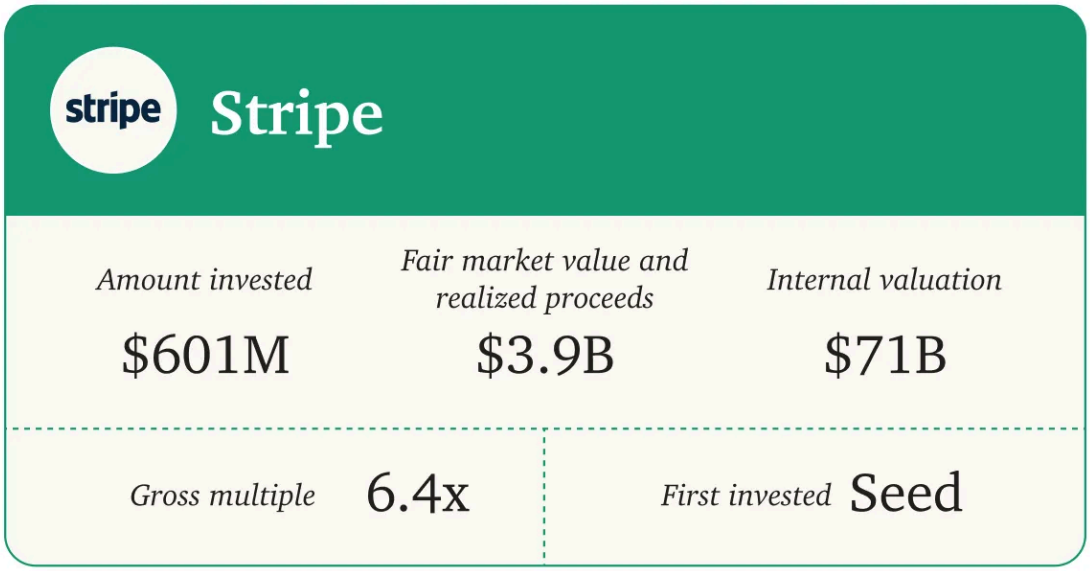
He supplied a practical example:

"At the time, we sort of wanted to have this forcing function to encourage us to make the product really good. So we charged 5% plus 30 cents for every transaction, which was *way* more than anyone else charged to process online payments.

"Our thinking was that we don't want anyone to use us because of the cost, so rather than even try to be competitive, we'll just price it way higher than anyone else, and until people were willing to use it and pay that large premium [it meant] the product wasn't sufficiently better.

"We didn't really think of it as a viable long-term strategy, and I remember Peter arguing it could be and that that could be a really interesting business model."

Thiel agreed to invest within two hours of the meeting, joining Stripe's $2 million seed round alongside Marc Andreessen and Elon Musk. Over the years, Founders Fund invested a total of $601 million in Stripe, making it the firm's third-largest position by deployed capital. At a conservative valuation of $70 billion, Founders Fund's stake is worth $3.9 billion, a 6.4x.



Although Founders Fund does not try to compete on portfolio support, John Collison shared some of the guidance Thiel provided in key moments. “Peter has a very good intuitive nose for business. I remember about 10 years ago, Patrick and I were reviewing the business with him and we had all these ideas for Act Two. We were explaining all of our Act Two product ideas, and he was kind of looking at us quizzically and said, ‘It seems like the core business is working really well and growing very strongly. You just need to focus on that and stop distracting yourself.’ That proved to be very sound advice. I think many companies that go on to be successful do so not because they keep introducing new things, but because the core thing was much bigger than the founders could have realized early on.”

John Collison recalled another moment Thiel flashed his acumen. “We presented him our model for the Series C, and he just took one look at it and told me where he thought the assumptions were off. ‘This growth rate in that year — can’t happen.’”

Neither incident is particularly remarkable in and of itself, but each illustrates the somewhat subtle ways in which Thiel offers advice but avoids meddling.

Thiel’s other 2010 hit showed up at a cocktail party he was throwing. For over a year, Demis Hassabis had been preparing to meet Peter Thiel and pitch his AI startup,

DeepMind. Silicon Valley had little commercial interest in artificial intelligence at the time, let alone in an upstart based in London.

Rather than pitching Thiel directly, Hassabis used their shared interest in chess as a conversation starter. Hassabis had been an even greater prodigy than Thiel on the black-and-white, once ranking as world number two in the under-14 category. Hassabis approached Thiel and told him about the "deep tension" between the bishop and knight. Both pieces are valued at three points, but they operate radically differently. Hassabis's gambit worked; Thiel invited him to meet the next morning, where he promptly committed to a £1.4 million investment. Founders Fund became DeepMind's first major investor.

Demis Hassabis (Google DeepMind)

Thiel's investment didn't arrive for three months, as he tried to convince Hassabis to relocate to Silicon Valley. "At that time, he'd definitely never invested outside of the U.S., maybe not even outside the West Coast," Hassabis told an audience at Google in 2017. "He thought the power of Silicon Valley was that mythical that you couldn't create a successful big technology company anywhere else." (As it turned out, that

wasn't strictly true – by then, Founders Fund had backed a fast-growing Swedish music streaming startup.)

Meanwhile, Hassabis thought remaining in London would offer an advantage, allowing his company to better compete for talent. "If you're a physics PhD out of Cambridge and you don't want to move to the U.S., and you also don't want to work for a hedge fund, and you want to do something that's really going to push you to the limits intellectually, then there weren't that many other options in the U.K. or even Europe." Hassabis won the argument and DeepMind stayed in England.

With the benefit of hindsight, both Hassabis and Thiel have reason to believe they were correct, though the advantage goes to the investor. Google acquired DeepMind for £400 million in 2014, a significant sum for a four-year-old European startup but a rounding error compared with the value it has driven for its parent company. Had DeepMind remained independent, there is every reason to think it might have met or surpassed Anthropic's $61.5 billion valuation or OpenAI's $300 billion figure. It was, nevertheless, another win for Founders Fund.

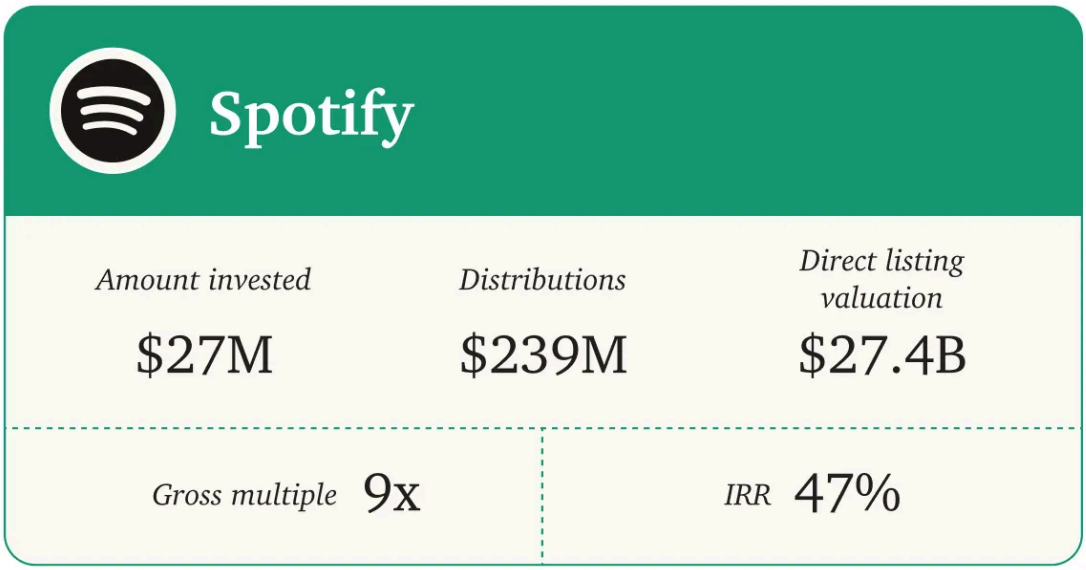
As it happens, Founders Fund is also a beneficiary of OpenAI's rise. Thiel was one of its first donors in 2015 back when Sam Altman was professing to be building a nonprofit. That positioned Founders Fund to partake in OpenAI's subsequent mission transmutation, deploying $238 million into Altman's shop. Founders Fund marks this stake at $299 million, holding OpenAI at an $86 billion valuation. Given OpenAI's recent raises, it is surely worth much more by now.

While Thiel's strange magnetism attracted interesting investment opportunities with seemingly little effort, Sean Parker relied on a different toolkit. "He was the best version of proactive VC I've ever seen," Brian Singerman said of Parker. "It's really hard to be a proactive VC. You have to be really, really correct in your worldview. If all he did was stand up every few years and say 'Facebook!' and 'Spotify!' you would do pretty well." Founders Fund learned to listen to Parker's instincts and pay close attention to the "brilliant emails" he would write making his case for a given company.

Daniel Ek was the recipient of one such message. The young Spotify founder had admired Parker's work ever since discovering Napster in high school. Ek would later remark that "Napster is probably the internet service which has changed my life more than anything else."

By 2009, the admiration had become mutual. "You've built an amazing experience," Parker wrote in his email. "Ever since Napster, I've dreamt of building a product similar to Spotify."

A meeting with Parker, Thiel, and Daniel Ek followed, hosted at Parker's West Village townhouse, dubbed "Bacchus House." Spotify had recently raised financing valuing it at $270 million and was in no need of further capital, but Parker's experience was too relevant to turn away. Founders Fund invested $16.5 million at a $330 million valuation, securing a 5% stake in the European firm. A total of $27 million invested yielded $239 million in distributions.



It was Parker's last significant investment for Founders Fund. Though the firm had operated as "The Peter and Sean Show" for years, as *Lean Startup* author Eric Ries once termed it, by 2011 he'd started to take a step back. The split was confirmed in 2014, though Parker remained on Spotify's board for a further three years.

Parker's departure represented a loss for Founders Fund. No one else on the team had his blend of top-down vision, product nous, and ability to relate to bolshy young founders as a peer, albeit one a little further down the road.

The fact that Founders Fund's excellence not only continued after his departure but accelerated was a testament to the growing core of young guns.

If Parker was a proactive VC par excellence, the 2010s saw Brian Singerman establish his reputation as a sterling *reactive* one. "I'm the exact opposite of Sean," Singerman said. "I do completely reactionary investments. The way to do good reactionary investments is to be open to anything and have a way of judging a company that is not based on specific expertise, like sectoral expertise."

In particular, Singerman liked to focus on the founder. "I don't know how to read spreadsheets, I don't know how to evaluate tech, and I'm not a product guy," he said. "What I'm there for is to have a strategy discussion with the founder — for them to be totally ruthless and put me in my place. And not in a bullshit way. At this point, I'm pretty good at spotting the delta between bravado and actual competence."

It was Singerman's ability to sniff out special founders that led him to his first and biggest win, Stemcentrx. Founded in 2008, Stemcentrx sought to develop novel cancer treatments. By the time Singerman met the team in 2012, they'd raised $23.5 million in funding from dedicated bio funds like Artis Ventures and angels like Hot or Not founder James Hong, meaning it had yet to be anointed as a Silicon Valley–style breakout.

Still, Singerman was interested, though by his own admission, he had no idea how to diligence a biotech business. As Scott Nolan explained, the team pulled in a more experienced biotech investor to offer a perspective, but ultimately didn't index too heavily on the startup's technical approach. "We could try and nitpick the tech all day long, but if we can outsmart them on that, then it's really bad," Nolan said. "It didn't seem really bad."

In Brian Slingerland (the name of Stemcentrx's CEO and certainly *not* Brian Singerman wearing glasses and a fake mustache), Singerman found a compelling entrepreneur. "I love competent ruthlessness. I had never seen that on the biotech side of things before, because they're usually very science-y. I don't know how to evaluate the science. What I can evaluate is whether a CEO is so good that he or she is going to win no matter what. And that's what I saw in the Stemcentrx founder."

Singerman was helped by the unique strengths of his colleagues on the investment team, with each bringing a different lens to the business.

Thiel, for example, was drawn to the heretical thesis at the heart of the company. "There was a big push for stem cells at that point in time," Nolan said. "The White House was pushing for it; everybody was all about stem cells. The thesis with Stemcentrx was that stem cells are actually the root of cancer and so you have to kill the bad ones. It was this weird social thing. Peter said, 'Well, everyone thinks stem cells are good, so if they're bad, no one can talk about it.' It was an interesting angle from a social perspective."

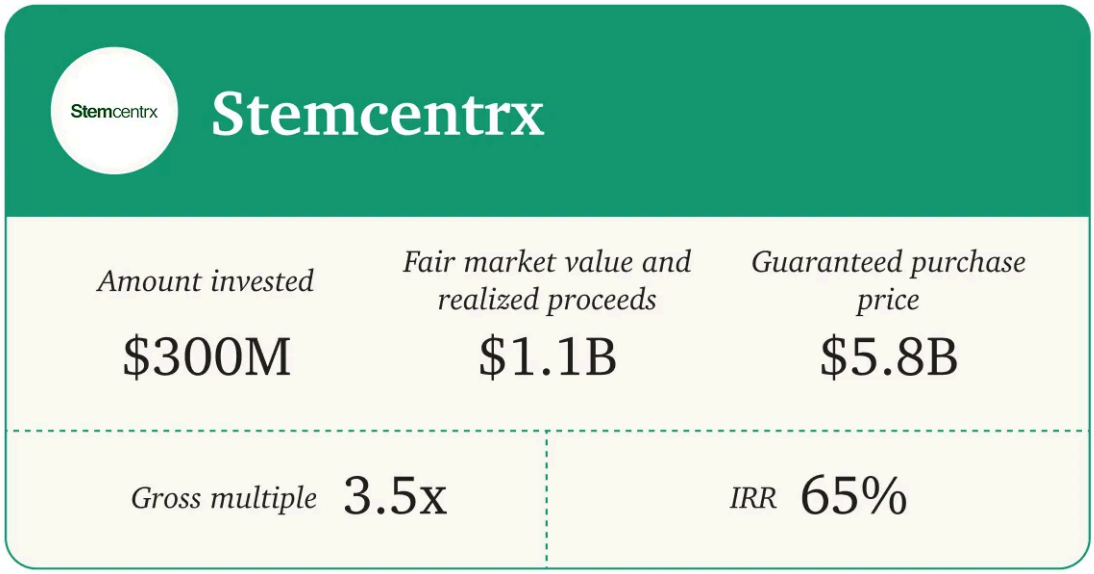
While Singerman focused on the team and Thiel mulled social forces at work, Nolan and Nosek dug deeper into the technology. In the end, Founders Fund pulled the trigger, pouring $30 million into Stemcentrx's Series D, at a $300 million valuation. Founders Fund doubled down aggressively in the Series F and G rounds, taking its total invested to $300 million. For a time, it was the firm's largest-ever investment.

In 2016, AbbVie agreed to acquire Stemcentrx for $5.8 billion up front, potentially rising to $10.2 billion, dependent on certain development milestones. It was the greatest exit in Founders Fund's history up to that point, with some projecting the firm's windfall to be worth as much as $1.7 billion.

In the end, the acquisition was a failure. AbbVie discontinued its investment in Stemcentrx's Rova-T cancer drug after weak performance. "AbbVie paid an awful lot of money for Stemcentrx, and in the end they got zilch, zero, zippity-doo-dah," wrote chemist Derek Lowe for *Science*. Such failures are a common part of the drug discovery business — with Lowe putting the odds of failure at 90% when a drug makes it to the

clinic — but Stemcentrx's price tag made the dissolution of its promise especially notable.

Stemcentrx's failure casts a shadow over the investment, but by the numbers, it was still an impressive bet. Founders Fund internally marks their position as worth $1.05 billion, with $876 million distributed — 3.5x on a hefty tranche.



Another health-care foray proved less lucrative. Two years after betting on Stemcentrx, Singerman led health insurance company Oscar's $30 million Series A round; it then led a $145 million Series C a year later. In total, Founders Fund invested $209 million in the New York–based startup, yielding just $216 million, approximately a 1x return. Though not a disaster, it was a rare example of Founders Fund misjudging one of its bigger positions.

Singerman logged another winning exit around this time, thanks to his bet on eccentric VR enthusiast Palmer Luckey. In 2013, Founders Fund became Oculus's first institutional investor, despite misgivings about the product and category. "They said, 'Well, we don't really think this is going to work. If this works, you're not just going to be *the* successful VR company; you'd be the first successful VR company in history, ever," Luckey told an audience at the Abundance Summit this year. "So they said, 'We don't really think this is going to work, but we'll give you a million dollars.'"

It was an investment that would pay off more than once in the years ahead, starting in 2014 when Facebook agreed to acquire Oculus for $2 billion. By then, Facebook had made it to the public markets, debuting in 2012 at a $104 billion valuation.

Despite being a colossal win for Thiel and Founders Fund, it might have been even greater. As part of a predetermined plan, Thiel and the firm divested 80% of their shares within a few months of the IPO, during a downturn in Facebook's stock price. The average price for the shares it sold during that period was reported to be under $20. Today, Meta's stock — which has not gone through any share splits — is priced at approximately $550.

Such post hoc assessments are, for the most part, unedifying. No one makes decisions with the benefit of hindsight, and Founders Fund had already secured a stunning return on its Facebook bet. However, in this case, the firm's decision to cash out illustrates an aspect of Thiel's investing practice.

A longtime LP recalled a conversation with Thiel within the past few years in which he was asked whether Founders Fund would consider buying shares in public companies. Many of the firm's peers had started to do so, seeing it as a natural extension of their relationship with portfolio companies. Thiel's response was clear: no. There might be exceptions from time to time, but fundamentally Founders Fund had no edge in the public markets and thus no reason to invest in them. It was a thoughtful response, and perhaps one that illuminates how Founders Fund handled even early IPOs like Facebook's.

The Oculus acquisition meant Singerman had scored two multi-billion-dollar exits in just six years as a professional investor — a dazzling start. Still, he couldn't help but feel a pang of regret. "We could have owned so much more," he told *Forbes* in 2017.

Scott Nolan's first big win arrived three years after the Oculus bet. Nolan had grimaced through much of Stanford business school, but his first big hit owed much to the network he'd established on campus. Among his classmates in 2011 had been David Vélez, an ex-General Atlantic investor from Colombia. At around the same time that Nolan started working at Founders Fund, Vélez began working for rival Sequoia.

Within a couple of years, however, he was ready to build a company of his own, founding Brazilian fintech Nubank in 2013.

Nubank: Finding Brilliance in Brokenness

MARIO GABRIELE • MAY 23, 2021

Read full story →

Though Founders Fund missed Nubank's early rounds, Nolan made sure it got a piece of the neobank. In 2016 the firm led a $52 million Series C, deploying a total of $47 million into the company before its 2021 IPO for $41 billion. That bet minted Founders Fund approximately $800 million in distributions.

Nubank

Amount invested	*Distributions*	*Valuation at IPO*
$47M	$799M	$41.4B

Gross multiple 17.9x	*IRR* 66%

Astonishingly, this is not even the full list of Founders Funds wins from the stretch between 2008 and 2016. Geoff Lewis led an investment in Lyft's Series B, which valued the ride-sharing app at $90 million post-money, and brought in $195 million on just $15 million invested. He also snagged e-commerce platform Wish, a bet that helped Founders Fund turn a total of $119 million into $585 million. Over that eight-year spell, Founders Fund also backed Affirm, Flexport, Postmates, Asana, and Workrise, as well as making its first liquid crypto bets.

Perhaps the most significant investment during this period was in Airbnb in 2012. It is a story that deserves a dedicated telling.

Airbnb

At a certain point in my research, I asked Lauren Gross a question. Why does it matter that Napoleon Ta is a quantitative genius? You do not need a Fields medalist to model out a growth-stage investment. Though there are nuances, does having top 0.01% mathematical abilities versus top 0.1% really make a difference? If Founders Fund got stuck with a top 1% talent (a true paint-sipping dullard by these standards), would it actually have made different choices?

It was a fair question, Gross said. It was true that financial modeling was "the most generic" skill of all of those Founders Fund targeted and that "with deep respect to (the growth) team, it's the easiest one for us to hire for." But to focus too narrowly on this misses why Ta has proven so effective. Gross cited two reasons in particular.

First, it is not that Ta is conducting more advanced qualitative analyses than anyone else in the room, but that he seems to understand numbers and their market implications with such ease that they have become part of his intuition. "He can look at the model of an A+ CFO who's been working on it for a decade and rip it apart," Gross explained. "He could point out the questions, the kinks — all the things that matter."

Founders made similar comments. "He has an interesting mix of understanding financially what businesses have to do and how they connect together structurally to one day become great," Ramp's Eric Glyman noted. "He has a good sense of what makes things valuable."

Parker Conrad, CEO of Rippling, echoed that view. "One of the things that's been particularly useful about Napoleon is that he's been one of the most thoughtful people about metrics and data and how public market investors will think about the business."

Second, the strength of Ta's quantitative mind serves as a synecdoche for his overall cognitive rigor. As Gross explained, it is in part because Ta can "do mental math as quick as Peter" that he has Thiel's "implicit trust and respect quantitatively." Thiel has

publicly carried himself with the ennui of someone sick of being the smartest person in every room; in Ta, in this domain, he has a peer.

It was through Founders Fund's Airbnb investment that Ta first earned Thiel's trust. As Gross explained, it was a special investment, "a sort of culmination of a lot of the things Founders Fund does best."

It started with Thiel and a bold macro call. Ever since his investment in Facebook, and the company's extraordinary performance, Founders Fund had been inundated with social pitches. "When I was working on the investment committee at Founders Fund, one of the things I heard was that during the period around 2008, something like 70% of all the deals they saw were social media companies," Flexport CEO and former partner Ryan Petersen remarked. (Now it's reportedly "95% AI companies.")

The Book of Thiel

COMMANDMENT VI

Move Away From Heat

When a sector gets hot, that's the sign to leave.
Let others compete on price
or sprint to outpace each other.
Start looking elsewhere.

As noted earlier, when interest heated up, Founders Fund retreated, missing some of the winners from that era as a result. By early 2012, the cycle had shifted. Darlings like

social gaming company Zynga and discount firm Groupon had hit the public markets and sagged badly. “Everything was tanking,” Gross remembered. “So Peter gave the investment team this macro lens of ‘Late-stage consumer is universally undervalued right now because of the sell-off. Let’s specifically look at late-stage consumer companies with values over $1 billion.’” It was the kind of clever macro reading Gross had come to expect from Thiel and that Founders Fund still benefits from. Even today, Thiel reportedly delivers one such “nugget” every year or so.

Top-down vision met bottom-up analysis once Napoleon Ta joined that summer.

Airbnb emerged as the most compelling of the companies Founders Fund analyzed. The firm actually already had a small stake in the business, putting in $1 million in an early round. The market dynamics had dissuaded it from deploying more. “A core thesis of ours is making monopolistic bets,” Gross said. “The reason we didn’t have conviction at the very early stage was because there were a few players in the space, like Vrbo. They’ve all sort of died, but there were a handful of sharing-economy companies and Airbnb hadn’t really broken out yet.”

By the time Ta analyzed the competitive set in 2012, Airbnb’s supremacy was still not a foregone conclusion. But by analyzing the data and surrounding market dynamics, he and the team developed the sense that Brian Chesky’s company was on the cusp of true dominance. In particular, Ta looked at Airbnb’s penetration and growth rate in each of its markets. He discovered that though the company had low penetration, it had a steep, accelerating growth rate. There was clearly a long way to go, but if Airbnb could maintain that trajectory, Ta felt confident it could surpass a $10 billion valuation.

That year, Founders Fund put forward the most aggressive term sheet in its history: $150 million at a $2 billion valuation. Both figures were remarkable for the firm, and the time. Gross was still years away from raising the $1.1 billion Fund V, meaning that Founders Fund was proposing putting nearly 25% of its $625 million Fund IV into a single investment, a level of concentration that would make even a libertine risk officer puke.

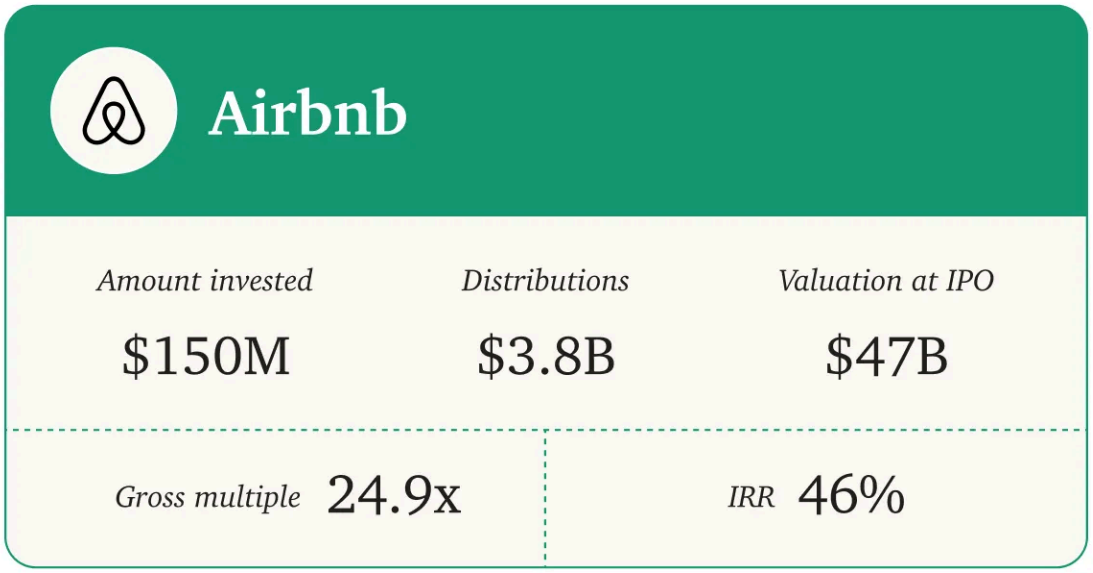
The matter was complicated by the fact that Founders Fund's initial $1 million check had come via Fund III. In the end, the firm spread its $150 million investment across three different vintages: Fund II, III, and, most heavily, IV.

The valuation Founders Fund proposed was eyebrow-raising, too. "It feels silly to say in this day and age where billion-dollar valuations are everywhere, but at the time, a $2 billion valuation was considered extremely high," Gross said. Still, Thiel was convinced there was a venture return to be made.

The offer did not go uncontested. Familiar nemesis Sequoia had reached conviction on Airbnb much earlier, leading its seed and Series A rounds. Now it wanted to lead the Series C, putting forward an even better offer according to Founders Fund. It wasn't enough that Thiel and Ta had spotted an appetizing late-stage consumer bet; they needed to win the right to invest over a long-standing backer who'd offered preferable terms.

Founders Fund won out. As Gross tells it, Thiel's odd magnetism was the clincher. "Even though he would never describe himself as such, Peter is an incredibly compelling closer. I'm incredibly biased, but I would say that Peter is unequivocally the most independent thinker I've ever met."

A contrarian macro call, a forensic bottom-up analysis, a concentrated bet, and a colossal windfall. Founders Fund is more closely associated with businesses like SpaceX and Anduril, but Airbnb is arguably the definitive case study of the firm's acumen in action. In time, its $150 million bet would grow into a $3.75 billion stake, a 25x multiple.



Stay tuned for Part 3 of "No Rivals," arriving next Thursday, June 26th.

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Colin Brown FrontierFinland Jun 21

Liked by Mario Gabriele

Really good narrative. Great to hear some of the less well-known characters who've played such a pivotal part get their time in the sun. Interesting to see how Founders Fund doubled down on even particularly well-known entities like Airbnb and Nubank.

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Yuki Yu Jun 20

Investment is a relentless dance with regret, where even the sharpest moves leave shadows of what might have been. As an investor myself I feel it, each decision haunted by paths not taken.

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